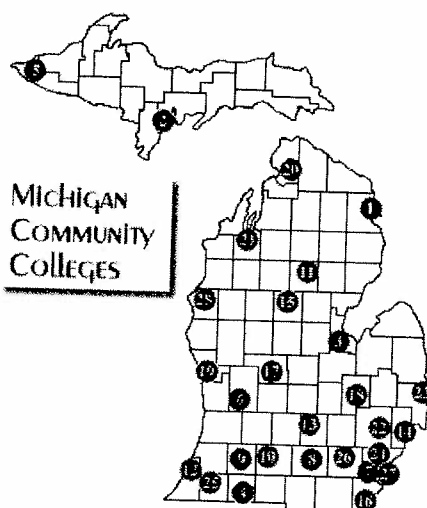




Testimony Before Michigan House of Representatives Retiree Health Care Reforms Committee

October 25, 2007

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Retirement Options At Michigan's Community Colleges

- Two Available Options
 - MPSERS available to all full-time and part-time employees
 - ORP (Optional Retirement Plan) available to full-time professional staff and faculty
 - Election into the ORP is irrevocable for the employee (at that institution)

MPSERS

- Defined Benefit Plan
- Vests with 10 service credits or (5 service credits for those beginning work at age 55 or higher)
- Average employee contribution 6.4%
- Lifetime Health Care at retirement if vested
- Coordinated as secondary insurance with Medicare when eligible

Optional Retirement Plan

- Available for professional staff and faculty
- Rate set by individual colleges NMC 11.5% with average 4% required employee match
- Defined contribution plan
- No health care provided
- Vesting periods vary by college
- TIAA-CREF represents the majority of plans

College Employee Groupings

- New employees
- Current employees not vested in MPSERS and not in ORP
- Current employees vested in MPSERS
- Retirees vested in MPSES
- Current employees in ORP

"Double Jeopardy" of Health Care

(Cost for employee's health care *currently*)

Payroll for community colleges averages 70%+ of Total Operating Budget.

Double-digit cost increases in health care costs for current employees is a budget-buster. Each college deals with this to different degrees through plan redesign.

At Southwestern Michigan College, increased deductibles, increased employee contribution, and \$40 name-brand prescription co-pay have been the result.

"Double Jeopardy" of Health Care

(Cost of retiree health care)

The healthcare cost component of MPSERS has been 6.55% since 2005. Pay as you go does not address the unfunded liability in the plan.

2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
12.17%	12.99%	12.99%	14.87%	16.34%	17.74%	16.72%

Should the unfunded liability be assigned for pay down, increases could be substantial as they have been in the pension side. Increases in MPSERS rate are outside the control of the colleges and are unsustainable.

MPSERS

- Aggregate MPSERS contribution has been requested from ORS and Senate Fiscal Agency. Our estimate is \$105+ million/yr.
- State Appropriations to Community Colleges in 2006-07 were \$286,679,400 (including delayed payment).
- MPSERS represents 37% of the State Appropriations. Fully 1 of every 3 dollars the State invests in community colleges never sees the classroom or any delivery point!
- Tuition and fee revenue for 2005-06 was \$409,437,436. \$1 of every \$4 a student pays goes toward legacy costs of retirement.

Request

- First rule:
 - If you are trying to get out of a hole...
 - “STOP DIGGING”
- How might you do that?
 - Stop new entrants into MSPERS
 - Fix “loopholes”
 - Leave Colleges as members for voice on board



How NOT to fix the Problem

Please, DO NOT discourage the possibility of community colleges' hiring retirees.

Although this practice is sometimes called “double dipping,” the funding model of community colleges requires extensive use of part-time faculty.

Retired faculty that have worked 20 or 30 years and earned their retirement should be able to teach part-time without financial penalty.
